

March 4, 2007

Representative John Sinrud, Chairman
Appropriations Committee
Montana House of Representatives
PO Box 200400
Helena, MT 59620-0400

re: HB 805 – New Worker Training Program

Dear Representative Sinrud and Members of the Appropriations Committee:

On behalf of the Board of Directors of the Missoula Area Economic Development Corporation and the Montana Economic Developers Association, as well as the Missoula County Commissioners, I am writing to urge your support for the funding level recommended by the Joint Appropriations Subcommittee for the New Worker Training Program administered by the Montana Department of Commerce. The Subcommittee voted to recommend an annual funding level of \$4,000,000 for this vital program, the same amount included in the original budget proposal submitted by the Governor's office.

New worker training has become the cornerstone of economic development projects throughout the United States. When making a location or expansion decision, every company carefully analyzes the local workforce. The ability of the community to assure a company that a trained workforce will be available has become the key to attracting new companies to Montana and to helping existing firms expand.

It was our privilege to work with DIRECTV on their decision to locate a customer service and technical support facility in Montana. The company's decision to locate in Montana was clearly influenced by the state's ability to offer job training assistance for new workers. The state's commitment to DIRECTV is \$2,865,000, of which \$1,995,000 is for reimbursement of job training costs. The state's total investment in this project, which has created 840 new jobs to date, will be recovered in less than three years (see attached spreadsheet). It should be noted that DIRECTV commenced hiring in July 2006 and, as yet, the company has not been reimbursed for any job training costs. The program requires that training costs can be reimbursed only for employees that have been kept on the company's payroll for six months after completion of training. In short, the program is performance-based.

To be eligible for reimbursement for training costs, the company must pay at least \$13.38 per hour to a new worker. With one of the best health insurance plans in the state,

March 4, 2007

all of the jobs at DIRECTV will meet or exceed this standard. In addition to health coverage, the company also provides a retirement program and a tuition reimbursement incentive as well as bonuses and other enhancements. But the DIRECTV project is only one of many opportunities to create quality jobs for Montana's citizens. The allocation for the new worker training program was depleted in one year during the current biennium, however, preventing the Department from assisting other companies.

It is absolutely crucial that Montana allocate the resources necessary to adequately fund the new worker training program. Regardless of the location of the project, assistance from the program needs to be available. It should not matter if a company is located in Missoula or Sidney. If the company will create eligible jobs, help with job training should be made available. As with the DIRECTV and other projects that have been assisted to date, training for new workers is a good investment for the State of Montana.

New worker training is fundamental to economic development efforts throughout this country. Mississippi, for example, recently recruited Toyota to Tupelo. The company will invest \$1.3 billion in a new manufacturing plant. The state's incentive package for this project is \$297 million, of which \$114 million has been allocated for job training.

Montana is not Mississippi. That state is spending \$148,500 per job for the Toyota project. Montana's commitment to DIRECTV is \$3,582 per job. Still, a comparison is illustrative of our need to adequately fund new worker training in Montana. Mississippi allocated \$114 million to one project. We are seeking just \$8 million for a two-year period. Mississippi's 2006 population is 2,910,540; Montana's is 944,632. If we funded new worker training at the same per capita rate as Mississippi, our budget for the biennium would be about \$38 million. Total personal income in Mississippi in 2005 was \$72.8 billion; in Montana, total personal income for the same year was \$27.0 billion. If we funded the program at the same ratio to the state's annual personal income, the appropriation would be approximately \$42.2 million. Clearly, \$8 million is a modest request for a program that works. Let's invest in Montana's workforce and help the private sector secure the trained workforce it needs.

Sincerely,


Richard C. King
President/CEO

Cc: MAEDC Board of Directors
Montana Economic Developers Association
Missoula County Board of Commissioners

Cost/Benefit Analysis to Montana
DIRECTV Project
Source: Census & Economic Information Center
Montana Department of Commerce

Phase	Employees	Compensation	Income Taxes
Construction	323	\$8,321,010	\$330,344
Operation	950+522	\$50,581,935	\$2,209,730
TOTAL	1,795	\$58,902,945	\$2,540,074

	Year 1	Year 2	Year 3	Year 4
Assistance	(860000.00)	(977500.00)	(977500.00)	
Interest Differential		(34911.00)	(34685.00)	(34411.00)
Construction				
- Income Taxes	\$330,344			
Operation				
- Income Taxes		\$2,209,730	\$2,209,730	\$2,209,730
- Corporate Taxes		\$286,335	\$286,335	\$286,335
- County Taxes		\$300,000	\$300,000	\$300,000
TOTAL	(\$529,656)	\$1,783,656	\$1,783,656	\$1,783,656

Conclusion: Montana's Investment in the DIRECTV Project will be recovered in the third year (2009).

Department of Commerce Completes Cost/Benefit Analysis of DIRECTV Project

Is economic development cost effective? That key question is appropriate for every investment involving public funds. The DIRECTV project received \$2,865,000 from the Montana Department of Commerce. Of that, \$1,995,000 was committed for reimbursement of job training expenses and \$860,000 was committed to Missoula County to help meet acquisition costs. The Board of Investments also incurred opportunity cost on the interest rate differential. The Department has completed a cost/benefit analysis of these expenditures.

The project created 323 construction jobs in the first year, generating new personal income taxes to the state of \$330,344. The company will create 950 jobs in two years. In addition, 522 new jobs will be indirectly created. Income tax revenue to the state from this job creation is estimated at \$2,209,730 annually. Also, the company is expected to pay about \$286,335 in corporate income tax and \$300,000 in local taxes. Using these assumptions, the Department determined the state's investment in the project will be recovered in the third year only the facility is fully operational.

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